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RUEHIT/AMCONSUL ISTANBUL PRIORITY 9645
RUEHJM/AMCONSUL JERUSALEM PRIORITY 0256

C O N F I D E N T I A L ANKARA 000264

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E.O. 12958: DECL: 01/24/2016
TAGS: [PREL](#) [ETRD](#) [EINV](#) [IS](#) [TU](#)
SUBJECT: TURKEY/ISRAEL/PALESTINE: FM GUL SIGNS AGREEMENT ON
EREZ INDUSTRIAL ZONE

REF: A. 05 ANKARA 07675

[1](#)B. 05 ISTANBUL 01642

Classified By: Political Counselor Janice G. Weiner for reasons 1.4 (b, d).

Summary

[1](#)1. (C) Turkish Foreign Minister Abdullah Gul visited Israel and the Palestinian Authority in early January and signed separate agreements with the PA in Ramallah and with Israel in Jerusalem, giving a Turkish consortium organized by the Union of Chambers and Commodities Exchanges of Turkey (TOBB) responsibility for reviving and managing the Erez Industrial Zone in Gaza. The GOT and TOBB will finance a USD 1 million technical and engineering study to determine the most urgent infrastructure needs. Turkey will soon seek financial support from the World Bank and signals of interest from potential U.S., EU, and Turkish investors. The timing of Gul's visit was important, as it followed Iranian Foreign Minister Motaki's December visit to Ankara and Gul's November visit to Damascus. Gul reportedly used his visit to Gaza to encourage Palestinian moderation in the run-up to PA elections. End Summary.

[1](#)2. (SBU) Turkish Foreign Ministry special Coordinator for Palestinian Development (and former MP and Education Minister) Vehbi Dincerler told us January 5 that the Erez project is of great political importance to the GOT, even if its economic impact is not felt for some time. The agreement Gul signed is the result of contacts between Turkish, Israeli and Palestinian business representatives termed the "Ankara Forum" (reftels). Dincerler said the management consortium will be 95 percent controlled by the TOBB, with the remaining 5 percent share in Palestinian hands. During his visit, Gul visited the Erez site, once a large employer of Palestinians with over 200 businesses but now run down and largely abandoned since the intifada. In meetings with Israeli FM Shalom, Gul sought to confirm Israel's strong commitment to the project, understanding that the Turkish management consortium will need significant Israeli backing in restoring basic utilities and services to the zone, as well as in providing security.

[1](#)3. (SBU) According to Dincerler, the GOT is currently looking for a company to conduct a feasibility study. Once that is completed, TOBB will recruit business leaders from Turkey and elsewhere to visit the Erez zone and conduct an evaluation. Meanwhile, Turkey will seek financing from the World Bank as well as private donors. The aim is to focus on exportable, labor intensive products, including metals,

textiles, machinery and stonework. Dincerler said that Turkey would seek preferential treatment from the U.S., EU and other markets for finished goods produced in Erez. He added that a U.S. firm (NFI) has promised to provide a multi-million dollar X-ray machine for the security checkpoint.

¶4. (C) Israeli Embassy DCM Nahshon characterized the initiative as a "win-win-win scenario" for Turkey, which stands to gain with the Palestinians as well as the Israelis, U.S. and EU for committing to an important economic project with the potential to create thousands of jobs for Palestinians. The project plays on Turkey's unique strengths in organizing and managing industrial zones and, if successful, would significantly benefit Turkish business. Several prominent Turkish business leaders have expressed interest in the project, Nahshon told us, recognizing that lower wage costs mean textiles and other products produced in Erez would be more competitive than similar products now produced in Turkey.

¶5. (SBU) Dincerler described other Turkish projects designed to help the Palestinians. The GOT is seeking USD 12-13 million in financing for a 40-50 bed hospital in Gaza and will match private donor contributions up to 50 percent. A private Turkish firm associated with U.S.-resident Islamic cleric Fethullah Gulen is seeking to set up a primary and secondary school in the PA with instruction in Arabic, Turkish and English. Existing training programs in Turkey for Palestinian police, judges and election officials will also be expanded. Dincerler said the GOT is open to partnerships with U.S. organizations in these areas.

¶6. (C) Nahshon told us that the visit was seen as worthwhile in Israel despite coinciding with Sharon's illness, coming after Iranian FM Motaki's visit to Ankara in December and Gul's earlier short visit to Damascus. Nahshon speculated

that Gul had also used the timing of the visit to encourage Palestinian moderation in the run-up to PA elections.

WILSON